

LONG TERM ECONOMIC FORECAST

Orange County

CURRENT SETTING

Orange County is the third largest County in California in terms of population and employment. On January 1, 2000, the population was estimated at 2.83 million, and wage and salary employment equaled 1.38 million jobs. The principal industries are manufacturing, retail trade, business services, and education.

Between 1997 and 1999, the County created an average of 54,000 jobs per year, the largest labor market expansion in the county since the mid 1980s. In 1999, personal income jumped 7.1 percent, and the 12,242 housing permits were the second highest annual total during the decade.

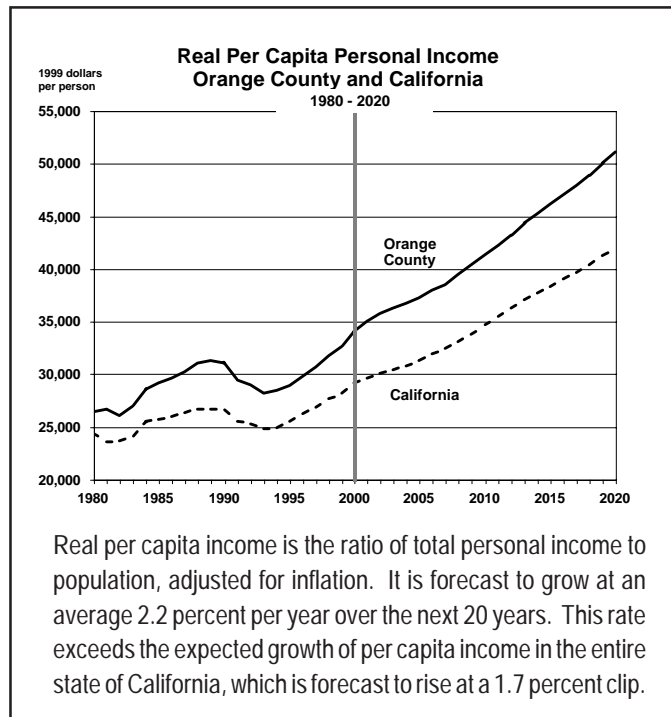
FORECAST SUMMARY

- Employment growth is expected to average between 2.1 and 2.5 percent per year through 2003. Job growth gradually slows thereafter, but accelerates after 2010.
- Total personal income is expected to grow an average of 5.6 percent per year throughout the forecast. Taxable retail sales are forecast to rise an average 4.9 percent per year, with slightly faster growth expected during the 2000-2010 period.
- Inflation-adjusted personal income per person is forecast to grow an average 2.1 percent per year over the forecast period.
- Net migration into Orange County falls from 19,518 in 1999 to 16,100 in 2000 and 14,250 in 2001. Fewer net migrants are forecast each year between now and 2020. Migration eventually turns negative in the distant years of the forecast.

EMPLOYMENT

Employment growth in Orange County has been impressive in recent years, recording 4.2, 5.3, and 3.5 percent increases in 1997, 1998 and 1999 respectively. A principal slowdown is expected in 2000 and 2001, because of the tight labor market prevailing in California, and especially Orange County.

The unemployment rate is averaging 2.7 percent in 2000 after a near record low of 2.9 percent in 1999. It is



expected to remain near 3 percent during the entire forecast period. The slower job creating environment forecast for Orange County is the result of a much slower population growth forecast by the Department of Finance.

The capacity of the region to produce more jobs combined with less housing and higher densities result in more restrained economic growth between 2010 and 2020.

Local education is expected to create jobs at an average 2.8 percent rate per year during the first decade of the new millennium. Thereafter, with the 5 to 17-year-old population group in decline after 2007, state and local government job growth will slow to 0.6 percent per year on average, between 2010 and 2020.

Manufacturing jobs are expected to grow at a rate of 1.5 percent per year during the first 10 years of the forecast. Most of the job gain is likely to occur in the durable manufacturing sector which dominates all manufacturing in Orange County. The services industry, principally high technology services and business services, is expected to produce the lion's share of jobs over the forecast period.

INCOME

Impressive personal income growth of 7.1 percent per year is forecast for the County during the 2000-2002 time period. Thereafter, annual income growth will average 5.7 percent through the end of the decade, and 5.2 percent during the 2010-2020 time period. Average salaries remain above the state average throughout the forecast period, and by 2020, the forecast average salary per worker is \$63,100 in inflation-adjusted 1999 dollars.

Per capita income will grow at a steady 2.2 percent per year throughout the forecast period. Average per capita income will rise at a faster rate than statewide per capita incomes because the mix of jobs in Orange County favors the higher

paying industries.

The rate of retail spending in the region is expected to be greater during the first decade of the new millennium compared to the 2010 to 2020 period. As a greater proportion of the local population ages into the 55 and older age group, there is less spending per household. Furthermore, with online commerce becoming so prevalent, retail stores will lose market share to Internet commerce.

HOUSING AND DEMOGRAPHICS

Most of the population growth in Orange County is expected to come from natural population increase, rather than from net new entrants over the next 20 years. Demand for housing will moderate over the forecast period, since there

ECONOMIC FORECAST: DEMOGRAPHICS, INCOME, SALES

year	Popula- tion	Net Migra- tion	Regis- tered Vehicles	House- holds	New Housing Units	Retail Sales	Personal Income	Real Per Capita Income	Farm Crop Sales	Indus- trial Output
	people	people	millions of veh.	thousands of homes	homes	billions of \$	billions of \$	1999 \$ per person	millions of \$	billions of 1999 \$
1995	2,614,851	-1,797	2.0	865	8,300	\$18	\$71	\$28,996	\$234	\$22
1996	2,649,846	2,041	2.1	875	10,207	\$19	\$75	\$29,889	\$237	\$23
1997	2,705,287	23,990	2.0	883	12,251	\$21	\$80	\$30,783	\$276	\$24
1998	2,744,995	27,973	2.1	893	10,101	\$22	\$86	\$31,803	\$292	\$26
1999	2,787,593	19,518	2.1	901	12,242	\$24	\$92	\$32,676	\$310	\$27
2000	2,833,190	16,086	2.2	912	11,692	\$26	\$100	\$34,083	\$316	\$29
2001	2,872,632	14,258	2.2	923	11,060	\$27	\$107	\$35,097	\$324	\$30
2002	2,910,976	13,073	2.2	933	10,549	\$29	\$113	\$35,835	\$332	\$32
2003	2,949,016	11,997	2.2	943	10,292	\$30	\$120	\$36,340	\$341	\$33
2004	2,984,977	11,230	2.3	952	9,975	\$32	\$127	\$36,754	\$351	\$34
2005	3,014,812	10,521	2.3	961	9,675	\$33	\$134	\$37,351	\$361	\$35
2006	3,040,115	8,958	2.3	970	9,469	\$35	\$142	\$38,038	\$370	\$37
2007	3,070,727	7,665	2.3	979	9,171	\$37	\$149	\$38,609	\$380	\$38
2008	3,101,654	6,482	2.4	987	9,206	\$38	\$158	\$39,500	\$389	\$40
2009	3,132,585	5,843	2.4	995	8,957	\$40	\$167	\$40,428	\$398	\$41
2010	3,163,776	4,923	2.4	1,004	8,809	\$42	\$177	\$41,414	\$407	\$43
2011	3,183,595	3,776	2.5	1,012	8,539	\$43	\$186	\$42,307	\$415	\$44
2012	3,203,742	2,612	2.5	1,019	8,898	\$46	\$195	\$43,308	\$423	\$46
2013	3,224,742	2,107	2.5	1,028	9,058	\$48	\$206	\$44,406	\$431	\$48
2014	3,246,364	1,481	2.5	1,036	9,099	\$50	\$216	\$45,317	\$439	\$49
2015	3,277,959	631	2.6	1,044	9,414	\$52	\$227	\$46,190	\$448	\$51
2016	3,307,366	-163	2.6	1,053	9,613	\$55	\$238	\$47,080	\$458	\$53
2017	3,337,619	-904	2.6	1,061	9,683	\$57	\$249	\$47,967	\$468	\$55
2018	3,368,600	-1,865	2.6	1,070	10,067	\$60	\$262	\$48,924	\$478	\$57
2019	3,400,085	-2,143	2.7	1,079	10,520	\$63	\$276	\$50,085	\$488	\$59
2020	3,431,869	-2,285	2.7	1,089	10,910	\$66	\$290	\$51,201	\$498	\$61

Note: Historical data is shown for the years 1990 to 1999; forecasts begin in the year 2000

will be less household formation from a declining 25 to 44-year-old population in California, until the year 2010. The fastest growing age group in Orange County after 2010 is the 65-year-old and older group.

Higher home prices and existing land use constraints will limit the rate of new housing development in Orange County over the foreseeable future. Furthermore, an aging population and slower job growth in the County are likely to keep net in-migration in check, limiting population growth.

The longer term population forecast for Orange County by the Department of Finance shows the growth of population falling below one percent per year by 2005 and remaining there for the remainder of the forecast.

ECONOMIC FORECAST: EMPLOYMENT

Total Wage & Salary	Farm	Cons- truction	Mining	Manu- fac- toring	Trans. & Public Utilities	Trade	Finance, Insurance, Real Estate	Total Services	Gov- ern- ment
----- thousands of jobs -----									
1,158	6.3	49.8	0.9	205.5	42.4	291.6	84.9	348.6	128.2
1,191	6.7	52.5	0.9	211.2	42.8	298.6	86.9	361.7	129.7
1,241	6.9	58.1	0.9	222.4	44.4	309.9	92.9	372.7	132.7
1,306	6.6	65.5	0.9	231.7	46.3	322.5	100.4	395.6	136.4
1,353	7.4	73.4	0.7	228.9	48.1	331.6	105.2	415.8	141.4
1,387	7.4	76.1	1.0	236.5	50.5	333.9	109.5	424.7	147.1
1,420	7.3	77.2	1.1	240.6	52.2	338.0	112.7	438.3	152.6
1,451	7.3	77.2	1.2	244.6	53.4	343.2	115.0	450.8	158.0
1,480	7.3	77.0	1.2	248.3	54.2	349.2	116.6	463.6	163.2
1,508	7.3	76.3	1.3	251.8	55.0	355.5	117.6	475.4	168.0
1,534	7.2	74.6	1.4	255.3	56.2	361.9	118.7	486.1	172.5
1,559	7.2	72.6	1.4	258.7	57.8	368.5	119.7	496.4	176.6
1,581	7.2	70.5	1.4	261.5	59.1	375.0	120.2	505.6	180.2
1,605	7.2	68.3	1.5	263.8	60.6	381.6	120.9	517.4	183.3
1,625	7.2	66.2	1.5	266.0	62.2	388.3	121.6	525.9	185.8
1,644	7.2	64.2	1.5	268.4	64.1	395.0	122.1	533.7	187.6
1,659	7.2	62.3	1.6	270.8	66.1	401.6	122.3	538.5	189.0
1,680	7.2	60.7	1.6	273.2	67.7	408.6	122.4	548.2	190.1
1,700	7.2	59.4	1.6	275.9	69.0	416.0	122.5	557.3	191.0
1,719	7.2	58.2	1.6	278.7	70.3	423.6	122.2	565.3	192.0
1,742	7.2	57.3	1.7	281.5	71.7	431.4	121.6	576.2	192.9
1,764	7.2	56.7	1.7	284.3	73.1	439.5	120.8	587.3	193.8
1,786	7.2	56.4	1.7	287.0	74.6	447.7	119.9	597.0	194.8
1,811	7.2	56.3	1.7	289.6	76.5	456.1	118.9	609.1	196.0
1,839	7.2	56.6	1.7	292.0	78.6	465.0	118.2	621.8	197.4
1,868	7.2	57.2	1.7	294.7	80.2	474.3	117.5	636.0	199.0

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